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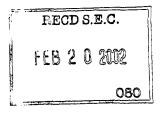
UNITED STATES SECURITIES AND EXCHANGE COMMISSION





FORM 6-K

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16 of The Securities Exchange Act of 1934 For the Fiscal Quarter Ended: December 31, 2001



RIVERDEEP GROUP PLC

(Exact name of registrant as specified in its charter)

Ireland

(Jurisdiction of Incorporation or Organization)

13-3989612 (I.R.S. employer identification no.)

3rd Floor, Styne House, **Upper Hatch Street** Dublin 2, Ireland

(Address of principal executive offices)

None (Zip code)

THOMSON FINANCIAL

(011) 353-1-670-7570

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F [x] Form 40-F []

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

> Yes [] No [x]_

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

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This Form 6-K, and other reports, proxy statements and other communications to shareholders, as well as oral statements made by the officers or agents of Riverdeep Group plc, contain or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, with respect to, among other things, Riverdeep's future revenues, operating income (loss), net income (loss) per ordinary share and per ADS, products and services, markets and plans and objectives of management, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "intend," "will," "should," "may," and other similar expressions. All forward-looking statements included herein are made as of the date hereof, based on information available to Riverdeep as of the date hereof, and Riverdeep assumes no obligation to update any forwardlooking statement. These forward-looking statements involve risks and uncertainties and actual results could differ materially from those discussed in the forward-looking statements. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. These risks and uncertainties are described above and in the risk factors set forth below. The Company specifically declines any obligation to publicly release the result of any revisions which may be made of any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

Part I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Riverdeep Group plc

Condensed Consolidated Balance Sheets (U.S. dollars in thousands, except share and per share data)

ASSETS	June 30, 2001 ¹	December 31, 2001 (Unaudited)		
Current assets				
Cash and cash equivalents Marketable securities Accounts receivable, net Inventories Prepaid expenses and other current assets	\$ 18,258 35,728 34,615 2,462 3,699	\$ 46,886 5,959 52,698 5,495 2,903		
Total current assets	94,762	113,941		
Property and equipment, net Goodwill and indefinite lived intangible assets, net Other non-current assets, net	8,357 80,331 29,403	7,534 154,548 34,290		
TOTAL ASSETS	\$ 212,853	\$ 310,313		
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable Accrued liabilities Current portion of capital lease obligations Short-term debt Current portion of long-term debt Deferred revenue	\$ 5,452 11,207 136 2,000 84 13,043	\$ 18,467 28,199 83 — 90 12,634		
Total current liabilities	31,922	59,473		
Capital leases due after more than one year Long-term debt	71 146	40 106		
Shareholders' equity Convertible preference shares, \$0.10 par value, 100,000,000 shares authorized, none outstanding Ordinary shares, \$0.10 par value, 1,000,000,000 shares authorized; 205,480,000 and 221,044,000 issued and outstanding	-	-		
at June 30, 2001 and December 31, 2001, respectively Additional paid-in capital Accumulated deficit Deferred stock compensation	20,548 262,989 (99,119) (4,022)	22,104 331,958 (101,591) (2,095)		
Accumulated other comprehensive income Total shareholders' equity	318 180,714	250,694		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 212,853	\$ 310,313		

¹ The June balance sheet information has been derived from the June 30, 2001 audited consolidated financial statements.

Riverdeep Group plc

Condensed Consolidated Statements of Operations (U.S. dollars in thousands, except per share data)

UNAUDITED

	Three Months Ended December 31,			Six Months Ended December 31,				
		2000		2001		2000		2001
Revenue:								
Product	\$	11,685	\$	41,255	\$	16,407	\$	70,817
Other		187		_		313		
Total revenue		11,872		41,255		16,720		70,817
Cost of revenue		1,929		6,962		2,789		11,380
Gross profit		9,943		34,293		13,931	-	59,437
Operating expenses:								
Sales and marketing		8,690		14,859		15,107		25,773
Research and development		7,467		10,008		12,587		17,294
General and administrative		2,446		5,265		4,475		9,093
Stock-based compensation		670		567		1,342		1,238
In-process research and development		_		-		9,940		_
Amortization of goodwill and indefinite								
lived assets		3,821		-		5,391		_
Amortization of non-current assets		1,711		2,931		2,523		4,748
Restructuring charges				4,095				4,095
Total operating expenses		24,805	***	37,725		51,365		62,241
Loss from operations		(14,862)		(3,432)		(37,434)		(2,804)
Other income, net		873		285		2,506		763
Loss before provision for income taxes		(13,989)		(3,147)		(34,928)		(2,041)
Provision for income taxes						****		(431)
Net loss	\$	(13,989)	\$	(3,147)	\$	(34,928)	\$	(2,472)
			<u> </u>		·		i	(· , · · - ,
Net loss per Ordinary Share – basic and diluted	\$	(0.07)	\$	(0.01)	\$	(0.19)	\$	(0.01)
Shares used in computing basic and diluted net loss per ordinary share (in thousands)		194,700	*** <u>*</u> *	228,616		184,358	-	219,164
Net loss per American Depositary Share (ADS) – basic and diluted (1)	\$	(0.43)	\$	(0.08)	\$	(1.14)	\$	(0.07)

⁽¹⁾ ADS data is based upon six ordinary shares per each ADS.

Riverdeep Group plc

Condensed Consolidated Statements of Cash Flows (U.S. dollars in thousands)

UNAUDITED

	Six Months Ended December 31,			ed
	******	2000		2001
Cash Flows from operating activities:		.		
Net loss	\$	(34,928)	\$	(2,472)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization		8,417		6,757
In-process research and development		9,940		-
Stock-based compensation		1,723		1,076
Changes in operating assets and liabilities:				
Accounts receivable		(11,044)		(18,004)
Inventories		(363)		941
Prepaid expenses and other current assets		(3,884)		715
Accounts payable		2,134		2,530
Accrued liabilities		6,380		2,606
Deferred revenue		4,070		(409)
Net cash used in operating activities		(17,555)		(6,260)
Cash Flows from investing activities:				
Purchase of marketable securities		_		(2,000)
Sale of marketable securities				31,769
Purchase of property and equipment		(3,625)		(800)
Payments for acquisitions		(10,147)		(19,182)
Net cash provided by (used in) investing activities		(13,772)		9,787
Cash Flows from financing activities:				
Proceeds from sale of common stock		953		27,228
Repayments of short-term debt		_		(2,000)
Repayments of long-term debt		(52)		(34)
Payments on capital leases		(62)		(84)
Net cash provided by financing activities		839		25,110
Increase (decrease) in cash and cash equivalents		(30,488)		28,637
Effect of exchange rate changes on cash and cash equivalents		-		(9)
Cash and cash equivalents at beginning of period		99,280		18,258
Cash and cash equivalents at end of period	\$	68,792	\$	46,886
Supplemental disclosure of cash flow information: Interest paid	¢	26	\$	75
Supplemental disclosure of non cash flow information:	\$		Ψ	13
Acquisition of property and equipment under capital leases	\$	105	\$	<u>.</u>
Fair value of shares and options issued in connection with	*		·	
acquisitions	\$	103,769	\$	42,926

Riverdeep Group plc

Notes to Condensed Consolidated Financial Statements UNAUDITED

1. Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements, which are unaudited, have been prepared by Riverdeep Group plc ("Riverdeep" or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and in accordance with generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, certain information and footnote disclosures normally included in annual financial statements have been omitted or condensed. In the opinion of management, all necessary adjustments (consisting of normal recurring accruals) have been made for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented. The operating results for the quarter and six months ended December 31, 2001 are not necessarily indicative of results expected for any future periods. Certain amounts reported in the Company's operating results for the fiscal 2001 periods have been reclassified to conform with the current year presentation. See "Factors Affecting Future Results" below. For further information, refer to the consolidated financial statements and footnotes for the year ended June 30, 2001 included in Riverdeep's Annual Report on Form 20-F under the Securities and Exchange Act of 1934, as amended.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying footnotes. Actual results could differ from those estimates.

2. Companies Acts, 1963 to 2001

The financial information relating to Riverdeep Group plc and its subsidiaries included in this document does not comprise statutory financial statements as referred to in Section 19 of the Companies (Amendment) Act, 1986, copies of which are required by that Act to be annexed to a Company's annual return and the information as of, and for the periods ended December 31, 2000 and December 31, 2001, is unaudited. The auditors have made reports without qualification under Section 193 of the Companies Act, 1990 in respect of the statutory financial statements for the year ended June 30, 2001. A copy of the statutory financial statements of Riverdeep Group plc for the year ended June 30, 2001 will be annexed to the relevant return which will be filed after the annual general meeting of Riverdeep in 2002.

3. Recent Accounting Pronouncements

Financial Accounting Standards Board Statement No.133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133") requires all derivative instruments to be recognized as either assets or liabilities on the balance sheet at their fair value, and provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. The Company applied SFAS 133 prospectively to transactions beginning in the first quarter of fiscal 2001. The application of SFAS 133 has had no impact on the Company's financial statements.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, ("SFAS 141") and No. 142, Goodwill and Other Intangible Assets, ("SFAS 142") effective for fiscal years beginning after December 15, 2001 (with early adoption permitted). Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with these Statements. Other intangible assets will continue to be amortized over their useful economic lives. Effective July 1, 2000, the Company adopted the new rules on accounting for goodwill and other intangible assets. There was no impairment of goodwill on adoption of SFAS 142.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations ("SFAS 143"). The standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the

liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged. Based on current circumstances, the Company believes the application of the new rules will not have a material impact on the consolidated financial statements of the Company.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations for a disposal of a segment of a business. SFAS 144 is effective for fiscal years beginning after December 15, 2001, with earlier application encouraged. The Company expects to adopt SFAS 144 as of July 1, 2002 and does not expect that adoption of the Statement will have a significant impact on the Company's financial position and results of operations.

4. Goodwill, indefinite lived and non-current assets

Net loss and earnings per share for the second quarter and first six months of fiscal 2001, adjusted to exclude amortization expense, are as follows:

	End (U. thou	ree Months ed December 31, 2001 S. dollars in sands, except share data)	End (U. thou	ix Months ed December 31, 2001 S. dollars in sands, except share data)
Reported net loss SFAS No. 142 effect – Goodwill SFAS No. 142 effect – Indefinite lived assets Adjusted net loss	\$ \$	$ \begin{array}{r} (13,989) \\ 3,821 \\ \underline{474} \\ (9,694) \end{array} $	\$ \$	(34,928) 5,391 <u>704</u> (28,833)
Reported basic and diluted loss per share	\$	(0.07) 0.02 (0.05)	\$ \$	(0.19) 0.03 (0.16)
Reported basic and diluted loss per ADS SFAS No. 142 effect – Goodwill.	\$	(0.43) 0.12	\$	(1.14) 0.18
SFAS No. 142 effect – Indefinite lived assets	\$	$\frac{-}{(0.31)}$	\$	${(0.96)}$

Identifiable intangible assets comprise goodwill and indefinite lived assets, which are not amortizable, and other non-current assets, which are amortizable. Other non-current asset amortization for the second quarter of fiscal 2002 was \$2.9 million. Intangible assets are analyzed as follows:

	June 30, 2001		December 31, 2001					
	Aı	Carrying nount	Amo	umulated ortization	A	Carrying mount U.S. dollars i	Amor	mulated tization
	<u>,</u>	S. dollars in	uiou	sanus)	L	U.S. UUIIAIS I	ii tiious	anus)
Goodwill and indefinite lived assets – non-amortizable:								
Goodwill	\$	94,247	\$	13,916	\$	155,476	\$	15,828
Brand names						14,900		
	\$	94,247	\$	13,916	\$	170,376	\$	15,828
Other non-current assets – amortizable:								
Brand names, trademarks and domain names	\$	11,510	\$	2,045	\$	12,544	\$	3,560
Developed technology		13,037		2,640		19,377		4,367
Customer lists		1,399		280		1,909		420
Assembled workforce		7,361		1,912		(1)		(1)
Licensed contracts		3,711		738		10,911		2,104
	\$	37,018	\$	7,615	\$	44,741	\$	10,451
Total identifiable intangible assets	\$	131,265	\$	21,531	\$	215,117	\$	26,279

(1) Upon the adoption of SFAS 142 on July 1, 2001, the Company reclassified the net carrying amount of assembled workforce of \$5.5 million from other non-current assets to goodwill and indefinite lived intangible assets.

Other non-current asset amortization expense is estimated to be \$5.8 million for the remainder of fiscal 2002, \$9.7 million in fiscal 2003, \$9.1 million in fiscal 2004, \$7.4 million in fiscal 2005, and \$1.9 million in fiscal 2006.

The increases in goodwill and indefinite lived assets and other non-current assets as shown in the above table relate to the acquisition of the educational assets of TLC during the quarter ended September 30, 2001.

There are no significant residual values on either the amortizable or non-amortizable intangible assets.

5. Inventory

Inventory is stated at the lower of cost and market value and comprises finished goods. Cost of inventory is calculated on a first in first out (FIFO) basis.

6. Stock-Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and related interpretations, in accounting for its stock options. Under APB 25, the Company amortized \$0.6 million and \$1.2 million of compensation expense during the three months and six months ended December 31, 2001, respectively, for instances in which the exercise price of certain share options granted in previous periods were less than the estimated fair value of the underlying shares at the date of grant. The remaining deferred stock compensation balance of \$2.1 million as of December 31, 2001 will be amortized as compensation expense over the remaining option vesting period.

7. Operating Lease Commitments

The Company leases all of its office space. The Company's corporate headquarters are currently located in a leased 12,814 square foot facility located at Third Floor, Styne House, Upper Hatch Street, Dublin, Ireland. This lease

agreement commenced in March, 2000, may be terminated on March 1, 2015, and expires on March 1, 2025. The Company's U.S. headquarters are located at 125 CambridgePark Drive, Cambridge, Massachusetts and comprise 18,590 square feet. The Company's Cambridge lease expires on July 31, 2005 and the Company currently subleases 3,500 square feet of this space to a third party. The Company maintains office and warehouse space in Redmond, Washington consisting of 68,139 square feet under lease expiring on November 30, 2004, office space in Fremont, California consisting of 33,499 square feet under lease expiring October 31, 2003, and office space in Novato, California consisting of 22,433 square feet under lease expiring October 31, 2006. Rent expense was approximately \$620,000 and \$710,000 for the three month periods ending December 31, 2001 and 2000, respectively. Rent expense was approximately \$1,380,000 and \$1,110,000 for the six month periods ending December 31, 2001 and 2000, respectively.

Future minimum lease payments under facility operating leases at December 31, 2001 are as follows (U.S. dollars in thousands):

2002	\$ 1,574
2003	3,536
2004	3,359
2005	2,586
2006	1,282
2007	755
Thereafter	 4,071
Total	\$ 17,163

8. Acquisition

In early September 2001, the Company acquired the education assets of The Learning Company (TLC), a leading publisher of innovative, interactive consumer and school education software. Under the terms of the Asset Purchase agreement, Riverdeep paid Gores Technology Group, the former owner of TLC, \$42.9 million in stock and assumed \$40.7 million in liabilities including \$20 million of short-term debt, in exchange for substantially all of the education assets of TLC. The agreement provides for the issuance of additional ADS's upon the achievement of future results of the acquired assets. These acquired assets include The Learning Company name, and all of its education software brands including Reader Rabbit, Carmen Sandiego, ClueFinders, Oregon Trail, Mavis Beacon Teaches Typing and Zoombinis, as well as other licensed brands. Riverdeep also acquired the development and distribution resources associated with these assets including established school, OEM, consumer and international businesses.

The acquisition was accounted for under the purchase method of accounting and accordingly, the assets, liabilities and operating results have been included in the accompanying unaudited condensed consolidated financial statements from the date of acquisition.

The purchase price, plus related expenses, has been allocated to the acquired assets and liabilities at their estimated fair values at the date of the acquisition based primarily on an independent valuation. Provisional amounts have been allocated to goodwill and indefinite lived assets of \$68.8 million. Under Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, goodwill and indefinite lived non-amortizable brand names and trademarks are no longer amortized but are subject to annual impairment tests in accordance with the Statements.

Under Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, goodwill and indefinite lived non-amortizable brand names and trademarks of are no longer amortized but are subject to annual impairment tests in accordance with the Statements.

9. Restructuring

In December 2001, Riverdeep's management and board of directors approved a restructuring program which included initiatives to integrate the operations of the company's recent acquisitions, consolidate duplicative facilities and reduce overhead. Total restructuring costs of \$4.1 million were recorded in the second quarter of the fiscal year ended

June 30, 2002 related to these initiatives.

Restructuring charges include approximately \$1.9 million representing employee termination benefits related to approximately 130 employees based in North America and affect the majority of business functions and job classes. The restructuring plan also includes costs totaling approximately \$2.2 million for the consolidation of space within the Company's California and Washington facilities and elimination of certain excess office space.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this Form 6-K, and other reports, proxy statements and other communications to shareholders, as well as oral statements made by the officers or agents of Riverdeep Group plc, contain or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, with respect to, among other things, Riverdeep's future revenues, operating income (loss), net income (loss) per ordinary share and per ADS, products and services, markets and plans and objectives of management, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "intend," "will," "should," "may," and other similar expressions. All forward-looking statements included herein are made as of the date hereof, based on information available to Riverdeep as of the date hereof, and Riverdeep assumes no obligation to update any forward-looking statement. These forward-looking statements involve risks and uncertainties and actual results could differ materially from those discussed in the forward-looking statements. Factors that may cause such variation are discussed more fully under below in "Factors Affecting Future Results."

Overview

We provide CD-ROM and Web-based educational solutions for grades K-12 targeted at the U.S. school and the educational consumer markets along with teacher training and professional development courses. We develop and market three types of curriculum-based products: instructional courseware, simulation-based educational software and supplemental content software. Our instructional courseware, including Destination MATH, provides instruction on math curricula and is designed to offer an interactive alternative to text-book-led instruction. This courseware also incorporates functionality that enables teachers to assess and diagnose weaknesses in students' performance and to prescribe elements of our courseware in order to remedy identified areas of weakness. Our simulation-based educational software is designed to support traditional teaching methods by offering interactive simulations that can be used to illustrate aspects of course work. Our supplemental content software products, such as our language arts and early learning products, are designed to provide open-ended exploratory opportunities to reinforce lessons and concepts to help students achieve mastery of educational standards. Our courseware is primarily written by a staff of subject-matter and software development professionals that includes former U.S. K-12 teachers and is sold directly by a U.S. sales force experienced in selling educational products to the U.S. K-12 market, as well as through a network of resellers, distributors and retail-outlets. Our products-can be-delivered-in-a variety of media including online via the Internet, CD-ROM, and over a local area network or LAN. Customers that choose to subscribe for certain of our products via online delivery do so through, for example, our riverdeep.net Web site, which also gives them access to a range of free supplemental educational content, tools and resources.

Results of Operations

The following tables set forth certain consolidated statements of income data, as a percentage of total revenue for the periods presented (subtotals not adjusted for rounding):

_	Three months ended December 31,			
	2000	2001		
Revenue	100.0%	100.0%		
Cost of revenue	16.2	16.9		
Gross profit	83.8	83.1		
Operating expenses:				
Sales and marketing	73.2	36.0		
Research and development	62.9	24.3		
General and administrative	20.6	12.8		
Stock-based compensation	5.6	1.4		

Three months ended December 31,

	2000	2001
In-process research and development		
Amortization of goodwill and indefinite lived assets	32.2	7.1
Amortization of other non-current assets	14.4	
Restructuring charges		9.9
Total operating expenses	208.9	91.4
Loss from operations	(125.2)	(8.3)
Other income, net	7.4	0.7
Loss before provision for income taxes	(117.8)	(7.6)
Provision for income taxes	·	
Net loss	(117.8)	(7.6)

Six months ended December 31.

	51X months chaca becchiber 51,		
_	2000	2001	
Revenue	100.0%	100.0%	
Cost of revenue	16.7	16.1	
Gross profit	83.3	83.9	
Operating expenses:			
Sales and marketing	90.4	36.4	
Research and development	75.3	24.4	
General and administrative	26.8	12.8	
Stock-based compensation	8.0	1.7	
In-process research and development	59.4		
Amortization of goodwill and indefinite lived assets	32.2		
Amortization of other non-current assets	15.1	6.7	
Restructuring charges		5.8	
Total operating expenses	307.2	87.9	
Loss from operations	(223.9)	(4.0)	
Other income, net	15.0	1.1	
Loss before provision for income taxes	(208.9)	(2.9)	
Provision for income taxes		(0.6)	
Net loss	(208.9)	(3.5)	

Three months ended December 31, 2001 compared with three months ended December 31, 2000

Revenue

Total revenue increased to \$41.3 million for the quarter ended December 31, 2001, compared to \$11.9 million for the quarter ended December 31, 2000. The increase in total revenues reflects revenue generated from the sales of products acquired on the acquisitions of Edmark Corporation ("Edmark"), Teacher Universe and The Learning Company ("TLC") assets together with increased sales of all products into the school and consumer markets through our expanded distribution channels.

Cost of revenue

Cost of revenue increased to \$7.0 million for the quarter ended December 31, 2001, from \$1.9 million for the quarter ended December 31, 2000 as a result of increased revenues and efficiencies associated with the fulfillment of larger volumes of product.

Sales and marketing expenses

Sales and marketing expenses increased to \$14.9 million for the quarter ended December 31, 2001, from \$8.7 million for the quarter ended December 31, 2000. This increase was primarily due to costs related to the acquired operations of TLC and Edmark, including the addition of marketing and distribution costs incurred in the consumer retail channel.

Research and development expenses

Research and development expenses increased to \$10.0 million for the quarter ended December 31, 2001, from \$7.5 million in the quarter ended December 31, 2000. This increase primarily reflects the acquired operations of TLC and Edmark and the continued development of our learning management system, assessment products, and *Destination Reading* products.

General and administrative expenses

General and administrative expenses increased to \$5.3 million for the quarter ended December 31, 2001, from \$2.4 million for the quarter ended December 31, 2000. The increase is primarily due to increases in headcount, facility costs, and professional fees along with increased costs related to the acquired operations of Teacher Universe and TLC.

Stock-based compensation

We incurred non-cash stock-based compensation expense of \$0.6 million and \$0.7 million during the quarters ended December 31, 2001 and December 31, 2000, respectively, related to the amortization of deferred compensation. The stock-based compensation expense of \$0.6 million in the quarter ended December 31, 2001 is attributed to personnel in the following departments and in the following amounts; sales and marketing, \$0.1 million; research and development, \$0.2 million; and general and administrative, \$0.3 million.

Amortization of goodwill and indefinite lived assets

Amortization of goodwill and indefinite lived assets was \$3.8 million for the quarter ended December 31, 2000 and zero for the quarter ended December 31, 2001. The decrease is due to the adoption of the Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets*, under which goodwill and indefinite lived assets will no longer be amortized but will be subject to annual impairment tests in accordance with this Statement.

Amortization of other non-current assets

Amortization of other non-current assets increased to \$2.9 million for the quarter ended December 31, 2001 compared to \$1.7 million for the quarter ended December 31, 2000. This increase is the result of an increase in other non-current assets arising on our acquisitions, primarily TLC. The remaining other non-current asset balance of \$34.3 million at December 31, 2001, is being amortized on a straight-line basis over their estimated useful lives, which range from three to five years.

Restructuring

The company incurred a one-time restructuring charge of \$4.1 million during the quarter ended December 31, 2001 related primarily to severance and facility closing costs associated with the integration of TLC assets. There was no such restructuring charge incurred during the quarter ended December 31, 2000.

Other income, net

Other income, net, decreased to \$0.3 million for the quarter ended December 31, 2001, from \$0.9 million for the quarter ended December 31, 2000. Higher interest income was earned in the quarter ended December 31, 2000, primarily

as a result of interest earned on short-term investments purchased with the proceeds from our initial public offering in March 2000. For the three months ended December 31, 2001, lower cash balances combined with lower investment interest rates led to a decrease in other interest income.

Net loss

Reported net loss for the quarter ended December 31, 2001 was \$3.1 million, or \$0.08 per ADS (assuming all of our outstanding ordinary shares are represented by ADSs), compared to \$14.0 million, or \$0.43 per ADS, for the quarter ended December 31, 2000.

Six months ended December 31, 2001 compared with six months ended December 31, 2000

Revenue

Total revenue increased to \$70.8 million for the six months ended December 31, 2001, compared to \$16.7 million for the six months ended December 31, 2000. The increase in total revenues reflects revenue generated from the sales of products acquired on the acquisitions of Edmark Corporation ("Edmark"), Teacher Universe and The Learning Company ("TLC") assets together with increased sales of all products into the school and consumer markets through our expanded distribution channels.

Cost of revenue

Cost of revenue increased to \$11.4 million for the six months ended December 31, 2001, from \$2.8 million for the six months ended December 31, 2000 as a result of increase revenues and efficiencies associated with the fulfillment of larger volumes of product.

Sales and marketing expenses

Sales and marketing expenses increased to \$25.8 million for the six months ended December 31, 2001, from \$15.1 million for the six months ended December 31, 2000. This increase was primarily due to costs related to the acquired operations of TLC and Edmark, including the addition of marketing and distribution fees incurred in the consumer retail channel.

Research and development expenses

Research and development expenses increased to \$17.3 million for the six months ended December 31, 2001, from \$12.6 million in the six months ended December 31, 2000. This increase primarily reflects the acquired operations of TLC and Edmark and the continued development of our learning management system, assessment products, and *Destination Reading* products.

General and administrative expenses

General and administrative expenses increased to \$9.1 million for the six months ended December 31, 2001, from \$4.5 million for the six months ended December 31, 2000. The increase is primarily due to increases in headcount, facility costs, and professional fees along with increased costs related to the acquired operations of Teacher Universe and TLC.

Stock-based compensation

We incurred non-cash stock-based compensation expense of \$1.2 million and \$1.3 million during the six months ended December 31, 2001 and December 31, 2000, respectively, related to the amortization of deferred compensation. The stock-based compensation expense of \$1.2 million in the six months ended December 31, 2001 is attributed to personnel in the following departments and in the following amounts; sales and marketing, \$0.3 million; research and development, \$0.3 million; and general and administrative, \$0.6 million.

Amortization of goodwill and indefinite lived assets

Amortization of goodwill and indefinite lived assets was \$5.4 million for the six month ended December 31, 2000 and zero for the six months ended December 31, 2001. The decrease is due to the adoption of the Statement of Financial Accounting Standard No. 142, *Goodwill and Other Intangible Assets*, under which goodwill and indefinite lived assets will no longer be amortized but will be subject to annual impairment tests in accordance with this Statement.

Amortization of other non-current assets

Amortization of other non-current assets increased to \$4.7 million for the six months ended December 31, 2001 compared to \$2.5 million for the six months ended December 31, 2000. This increase is the result of an increase in other non-current assets arising on our acquisitions, primarily TLC. The remaining other non-current asset balance of \$34.3 million at December 31, 2001, is being amortized on a straight-line basis over their estimated useful lives, which range from three to five years.

In-process research and development

Acquired in-process research and development expense was \$9.9 million for the six months ended December 31, 2000. The acquired in-process research and development expense represented the fair value of those specifically identified projects for which technological feasibility had not been established and for which alternative future uses did not exist and accordingly these costs were expensed immediately upon acquisition. There was no in-process research and development expense incurred in the six months ended December 31, 2001.

Restructuring

The company incurred a one-time restructuring charge of \$4.1 million during the six months ended December 31, 2001 related primarily to severance and facility closing costs associated with the integration of TLC assets. There was no such restructuring charge incurred during the six month period ended December 31, 2000.

Other income, net

Other income, net, decreased to \$0.8 million for the six months ended December 31, 2001, from \$2.5 million for the six months ended December 31, 2000. Higher interest income was earned in the six months ended December 31, 2000, primarily as a result of interest earned on short-term investments purchased with the proceeds from our initial public offering in March 2000. For the six months ended December 31, 2001, lower cash balances combined with lower investment interest rates led to a decrease in other interest income.

Provision for income taxes

Income taxes were \$431,000 for the six months ended December 31, 2001 compared to zero for the six months ended December 31, 2000.

Net loss

Reported net loss for the six months ended December 31, 2001 was \$2.5 million, or \$0.07 per ADS, (assuming all of our outstanding ordinary shares are represented by ADSs), compared to \$34.9 million, or \$1.14 per ADS, for the six months ended December 31, 2000.

Liquidity and Capital Resources

As of December 31, 2001, we had approximately \$52.8 million of cash, cash equivalents, and marketable securities, consisting primarily of highly liquid investments with relatively short-term maturities. Our investment policy

requires us to invest funds in excess of current operating requirements in marketable securities such as commercial paper, corporate bonds and U.S. government agency fixed income securities. As stated in our investment policy, our investment objectives are preservation of principal, liquidity and investment return. We mitigate default risk by investing in only investment-grade securities. Based on the nature of the maturities of our investments, we have concluded that there is no material market risk exposure.

Net cash used in operating activities

Net cash used in operating activities for the six months ended December 31, 2001 was \$6.3 million compared to \$17.6 million for the six months ended December 31, 2000. The 2001 cash used in operations includes a net loss of \$2.5 million adjusted by non-cash charges of \$7.8 million. Accounts receivable increased by \$18.0 million due to the overall growth in all distribution channels of our business together with revenue generated from the sales of products acquired in the acquisitions of Teacher Universe, TLC and Edmark. Accounts payable increased by \$2.5 million and accrued liabilities increased by \$2.6 million, also due to the Company's increased business activity in both its core and acquired businesses.

Net cash (used in) provided by investing activities

Net cash provided by investing activities for the six months ended December 31, 2001 was \$9.8 million compared to net cash used in investing activities for the six months ended December 31, 2000 of \$13.8 million. The improved cash flow in the six months ended December 31, 2001 was primarily attributable to the net sales of marketable securities of \$29.8 million offset by the payment of \$20 million of short-term debt which was assumed on the acquisition of TLC.

Net cash provided by financing activities

Net cash provided by financing activities for the six months ended December 31, 2001 was \$25.1 million compared to net cash used in financing activities for the six months ended December 31, 2000 of \$0.8 million. Cash provided by financing for the six months ended December 31, 2001 is mainly attributable to the proceeds from the sale of ordinary shares which included Reed Elsevier plc's \$25 million investment in the company.

We may devote substantial capital resources to additional strategic acquisitions and relationships. Based on our current estimates of the development of our business, we believe that our cash and cash equivalents will be sufficient to meet our funding requirements for at least the next twelve months.

Factors Affecting Future Results

When used anywhere in this Form 6-K, in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases and in oral statements made with the approval of an authorized executive officer of the Company, words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimates," "projected," or "outlook" or similar expressions (including confirmation by an authorized executive officer of the Company of any such expressions made by a third party with respect to the Company) are intended to identify "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 with respect to, among other things, Riverdeep's future revenues, operating income (loss), net income (loss) per ordinary share and per ADS, products and services, markets and plans and objectives of management.

Risks Related to our Business Model, Financial Risks, Operations and Government Regulation, Content and Intellectual Property

There have been no material changes in the reported risks related to our business model, financial risks, operations and government regulation, content and intellectual property as highlighted in Item 3.D. of Form 20-F in respect of the

financial year ended June 30, 2001.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the reported market risks (both qualitative and quantitative) as highlighted in Item 11 of the Form 20F in respect of the financial year ended June 30, 2001.

PART II. OTHER INFORMATION

Item 6. Exhibits

The exhibits filed as part of this Form 6-K are listed on the Exhibit Index immediately preceding such exhibits, which Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: Feb 15, 2002

Riverdeep Group plo

Barry O'Callagha

Chief Executive J. flicer and Director

Exhibit Index

The following exhibits are filed as part of this quarterly Report on Form 6-K:

Exhibit No.	Description
(11)	Statement regarding computation of net loss per ordinary share and per ADS

Riverdeep Group plc Statement Regarding Computation of Net Loss per Ordinary Share and per ADS (U.S. dollars in thousands, except per share data)

		Three Months Ended December 31, 2000 2001		Six Months December 2000	
		2000	2001		<u> </u>
Numerator:					
Net loss	\$	(13,989)	\$(3,147) \$	(34,928) \$	(2,472)
Denominator:					
Weighted average Ordinary Shares – basic an	nd	194,700	228,616	184,358	219,164
diluted (1)	ď	(0.07) f	(0.01) ¢	(0.10) ¢	(0.01)
Net loss per Ordinary Share – basic and diluted	\$	(0.07) \$	(0.01) \$	(0.19) \$	(0.01)
Net loss per ADS – basic and diluted (2)	\$	(0.43) \$	(0.08) \$	(1.14) \$	(0.07)

⁽¹⁾ The effect of employee stock options have not been included in the computation of diluted net loss per share as to do so would have been antidilutive.

⁽²⁾ ADS data is based upon six ordinary shares per each ADS.